Planning by	Reviewed	Performed by	Final review

AbaQulusi Local Municipality
Annual financial statements
for the year ended 30 June 2016

General Information

Mayoral committee	
Executive Mayor	PN Khaba
Deputy Mayor	ISM Hadebe
Speaker	PM Mtshali
Executive Committee Member	GM Dlamini
Executive Committee Member	HE Heyns
Executive Committee Member	MB Khumalo
Executive Committee Member	AD Mkhulise
Executive Committee Member	BL Zwane
Executive Committee Member	SB Zwane
Councillors	ZS Buthelezi
	ME Masondo
	XA Hlela
	HV Khumalo
	MM Kunene
	MM Mavuso
	AM Masondo
	DJ Mahlase
	MA Mazibuko
	M Mdlalose
	CN Molefe
	TM Ndlovu
	DP Mazibuko
	SR Nkosi
	HD Ntshangase
	MS Ntshangase
	B Ntombela
	SE Qwabe
	MP Williams
	MJ Sibiya
	TE Vilakazi
	SM Vilakazi
	SB Zwane
	ME Zungu
	RB Mhlungu
	PP Mkhwanazi
	SN Khumalo
	NB Manana
	VF Nsibande
	JW Mthembu
	ST Mbokazi
	B Hancke
	BA Mtshali
Grading of local authority	Grade 04
	Medium Capacity
Chief Finance Officer (CFO)	HA Mahomed
	cfo@abaqulusi.gov.za
Accounting Officer	AB Mnikathi (Acting)

General Information

Bankers	ABSA Bank of South Africa Limited Nedbank Bank of South Africa Limited
Auditors	Auditor General of South Africa
Attorneys	Cox and Partners BM Thusini Attorneys Garlicke & Bousfield

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is partly dependant on the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that AbaQulusi Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note titled Remuneration of Councillors of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 6 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on the Municipalities behalf by:

AB Mnikathi (Acting)
Accounting Officer

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Inventories	8	11,269,519	11,942,933
Receivables from non-exchange transactions	9	59,643,025	50,965,277
VAT receivable	10	9,683,836	3,052,308
Receivables from exchange transactions	11	22,480,886	31,854,313
Cash and cash equivalents	12	13,621,710	36,636,073
		116,698,976	**134,450,904**
Non-Current Assets			
Investment property	3	26,946,181	25,535,250
Property, plant and equipment	4	1,477,374,264	1,510,079,213
Intangible assets	5	91,727	202,087
Heritage assets	6	3,854,571	3,854,571
		1,508,266,743	**1,539,671,121**
Total Assets		**1,624,965,719**	**1,674,122,025**
Liabilities			
Current Liabilities			
Finance lease obligation	13	444,907	2,856,535
Payables from exchange transactions	16	68,809,339	62,811,594
Consumer deposits	17	13,592,348	13,145,090
Unspent conditional grants and receipts	14	8,035,883	5,244,608
Other liability - Eskom	18	-	1,381,339
		90,882,477	**85,439,166**
Non-Current Liabilities			
Finance lease obligation	13	-	7,119
Employee benefit obligation	7	69,279,000	62,275,000
Provisions	15	61,334,413	55,632,121
		130,613,413	**117,914,240**
Total Liabilities		**221,495,890**	**203,353,406**
Net Assets		**1,403,469,829**	**1,470,768,619**

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Service charges	21	238,008,500	224,762,667
Rental of facilities and equipment	33	1,222,139	1,297,331
Interest received - Sundry debtors	53	15,277	15,804
Licences and permits	19	4,236,392	4,063,131
Fair value gain	19	1,410,931	2,156,500
Other income	23	5,648,377	1,751,029
Interest received - investment	28	1,759,548	3,150,190
Total revenue from exchange transactions		**252,301,164**	**237,196,652**
Revenue from non-exchange transactions			
Property rates	20	58,089,079	59,009,856
Property rates - penalties imposed	20	2,318,099	1,890,363
Government grants & subsidies	22	175,227,632	164,684,334
Fines	19	6,640,087	3,684,951
Total revenue from non-exchange transactions		**242,274,897**	**229,269,504**
Total revenue	19	**494,576,061**	**466,466,156**
Expenditure			
Bulk purchases	35	143,323,796	129,184,533
Employee related costs	25	131,178,743	122,772,576
Remuneration of councillors	26	15,770,046	14,818,646
Finance Costs - Landfill Sites	15	5,702,292	2,510,591
Depreciation and amortisation	29	77,962,762	82,205,053
Impairment loss	30	-	1,203,071
Finance costs	31	347,295	942,260
Provision for doubtful debts	27	16,309,371	11,891,865
Post employment benefits	7	7,004,000	25,795,790
Repairs and maintenance		18,944,164	17,107,720
Contracted services	50	39,872,374	43,424,303
Grant expenditure	34	20,975,175	33,978,397
Hire of vehicle and office equipment		9,906,495	10,671,380
General Expenses	24	60,475,960	48,024,685
Total expenditure		**547,772,473**	**544,530,870**
Operating deficit		**(53,196,412)**	**(78,064,714)**
Loss on disposal of assets and liabilities		(14,102,378)	-
Deficit for the year		**(67,298,790)**	**(78,064,714)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2014	1,547,502,080	1,547,502,080
Surplus for the year	(78,064,714)	(78,064,714)
Opening balance as previously reported at 01 July 2015	**1,469,437,366**	**1,469,437,366**
Prior period adjustment - refer note 41	1,331,253	1,331,253
Prior period adjustment - refer note 41	1,331,253	1,331,253
Restated balance as at 01 July 2015	**1,470,768,619**	**1,470,768,619**
Surplus for the year	(67,298,790)	(67,298,790)
Total changes	(67,298,790)	(67,298,790)
Balance at 30 June 2016	**1,403,469,829**	**1,403,469,829**

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Sale of goods and services		316,177,950	292,460,739
Interest Income		1,759,548	3,165,993
Vat received		-	6,933,067
Grants and Subsidies		175,227,632	164,684,334
		-	-
		493,165,130	467,244,133
Payments			
Employee costs		(134,849,405)	(137,591,222)
Suppliers		(244,923,474)	(281,599,135)
Finance costs		(347,295)	(457,973)
		(380,120,174)	(419,648,330)
Net cash flows from operating activities	36	**113,044,956**	**47,595,803**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(132,259,233)	(59,670,366)
Proceeds from sale of property, plant and equipment	4	-	676,643
Net cash flows from investing activities		**(132,259,233)**	**(58,993,723)**
Cash flows from financing activities			
Repayment of other financial liabilities: Eskom Debt		(1,381,339)	-
Repayment of finance leases		(2,418,747)	(5,117,486)
Net cash flows from financing activities		**(3,800,086)**	**(5,117,486)**
Net increase/(decrease) in cash and cash equivalents		**(23,014,363)**	**(16,515,406)**
Cash and cash equivalents at the beginning of the year		36,636,073	53,151,479
Cash and cash equivalents at the end of the year	12	**13,621,710**	**36,636,073**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	265,965,000	(17,398,000)	**248,567,000**	238,008,500	**(10,558,500)**	54.1
Rental of facilities and equipment	1,387,000	(228,000)	**1,159,000**	1,222,139	**63,139**	
Interest received- Sundry Debtors	-	-	**-**	15,277	**15,277**	
Licences and permits	4,538,000	(323,000)	**4,215,000**	4,236,392	**21,392**	
Fair Value Gain	-	-	**-**	1,410,931	**1,410,931**	54.2
Other income	39,538,000	(994,000)	**38,544,000**	5,648,377	**(32,895,623)**	
Interest received - investment	3,406,000	(1,571,000)	**1,835,000**	1,759,548	**(75,452)**	54.3
Total revenue from exchange transactions	**314,834,000**	**(20,514,000)**	**294,320,000**	**252,301,164**	**(42,018,836)**	
Revenue from non-exchange transactions						
Property Rates						
Property rates	60,210,000	-	**60,210,000**	58,089,079	**(2,120,921)**	54.4
Property rates - penalties imposed	1,700,000	300,000	**2,000,000**	2,318,099	**318,099**	
Government grants & subsidies	132,059,000	750,000	**132,809,000**	175,227,632	**42,418,632**	
Transfer revenue						
Fines	3,506,000	(1,499,000)	**2,007,000**	6,640,087	**4,633,087**	
Total revenue from non-exchange transactions	**197,475,000**	**(449,000)**	**197,026,000**	**242,274,897**	**45,248,897**	
Total revenue	**512,309,000**	**(20,963,000)**	**491,346,000**	**494,576,061**	**3,230,061**	
Expenditure						
Personnel	(130,050,000)	(9,764,000)	**(139,814,000)**	(131,178,743)	**8,635,257**	54.5
Remuneration of councillors	(16,390,000)	857,000	**(15,533,000)**	(15,770,046)	**(237,046)**	
Contribution to landfill site rehabilitation provision	-	-	**-**	(5,702,292)	**(5,702,292)**	
Depreciation and amortisation	(21,994,000)	(82,094,000)	**(104,088,000)**	(77,962,762)	**26,125,238**	54.6
Finance costs	(650,000)	-	**(650,000)**	(347,295)	**302,705**	54.7
Provision for doubtful debts	(1,698,000)	(5,301,000)	**(6,999,000)**	(16,309,371)	**(9,310,371)**	54.8
Contribution to Employee Retirement Benefits	(3,636,000)	-	**(3,636,000)**	(7,004,000)	**(3,368,000)**	54.9
Repairs and maintenance	(25,691,000)	1,018,000	**(24,673,000)**	(18,944,164)	**5,728,836**	54.10
Bulk purchases	(154,400,000)	9,050,000	**(145,350,000)**	(143,323,796)	**2,026,204**	
Contracted Services	(63,153,000)	(1,662,000)	**(64,815,000)**	(39,872,374)	**24,942,626**	54.11
Grants and subsidies paid	(34,952,000)	-	**(34,952,000)**	(20,975,175)	**13,976,825**	54.12
Finance Leases	-	-	**-**	(9,906,495)	**(9,906,495)**	
General Expenses	(57,436,000)	(16,645,000)	**(74,081,000)**	(60,475,960)	**13,605,040**	54.13
Total expenditure	**(510,050,000)**	**(104,541,000)**	**(614,591,000)**	**(547,772,473)**	**66,818,527**	
Operating deficit	**2,259,000**	**(125,504,000)**	**(123,245,000)**	**(53,196,412)**	**70,048,588**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Loss on disposal of assets and liabilities	-	-	-	(14,102,378)	**(14,102,378)**	
Deficit before taxation	**2,259,000**	**(125,504,000)**	**(123,245,000)**	**(67,298,790)**	**55,946,210**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**2,259,000**	**(125,504,000)**	**(123,245,000)**	**(67,298,790)**	**55,946,210**	

CAPEX	**Approved Budget**	**Adjustments**	**Final Budget**	**Actual amounts on comparable basis**	**Difference between final budget and actual**
Total Capital Expenditure	67,461,000	3,405,000	70,866,000	132,259,233	(61,393,233)

Reasons with a variance of 10% of the actual amount has been disclosed in note 54.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Revenue Recognition

Accounting Policy 1.15 & 1.16 on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

Impairment of Financial Assets

Accounting Policy 1.7 Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate..

Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 1.4 and 1.5, the municipality depreciates/amortises its property, plant and equipment,and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Impairment: Write down of Property, Plant and Equipment, Intangible assets and Inventories

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Defined Benefit Plan Liabilities

As described in Accounting Policy 1.13 Employee Benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Longservice Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 7 to the financial statements.

Going concern assumption

The financial statements have been prepared on a going concern basis.

Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

Provisions

Provisions have been raised by the municipality. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Accounting Policies

1.3 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

Subsequent measurement

Fair value model

Investment property is measured using the fair value model. This entails determining the fair value of investment properties on a regular basis. To the extent that the fair value model is applied investment property is not depreciated. Fair value gains / losses that result from the revaluation are recognised in the Statement of Financial Performance

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance

An impairment is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance

Derecognition

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.4 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent Measurements

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated,using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets.The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential areexpected to be consumed by the municipality.Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.Depreciation only commences when the asset is available for use, unless stated otherwise.

The useful lives of items of property, plant and equipment have been assessed as follows:-

Infrastructure	**Useful Life**
Roads and stormwater	5-80 years
Electricity	3-50 years
Sanitation	15-100 years
Water	5-80 years
Housing	3-50 years
Landfill sites	15-50 years
Community	
Sport and recreational facilities	5 - 50 years
Cemeteries	5 - 50 years
Halls	5 - 50 years
Libraries	5 - 50 years
Parks	5 - 50 years
Fire / Ambulance stations	5 - 50 years
Clinics	5 - 50 years
Sport fields	15 - 30 years
Stadium	5- 50 years
Other	

1.4 Property, plant and equipment (continued)

Transport assets	5-15 years
Machinery and equipment	2-15 years
Computer equipment	3-7 years
Office equipment	3-10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Capital Work in Progress

Capital work in progress is stated at historical cost. Depreciation only commences when the asset is available for use.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE.controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised. Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

The municipality has identified all its capital assets, excluding Investment Property, as non-cash generating assets as it’s the municipality's view that the primary objective of these assets are to provide a service and not to generate a commercial return.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

An intangible asset shall be measured initially as cost. Where an intangible asset is acquired through a non-exchnage transaction, its initial cost at the date of acquisition shall be measured at its fair value as at that date. The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

An intangible asset shall be de-recognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognistion of an intangible asset shall be determined as the difference between the net disposal proceeds, if any and the carrying amount of the asset. It shall be recongised in surplus or deficit when the asset is derecognised.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, internally generated	5 - 10 Years
Computer software, other	5 - 10 Years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Heritage assets

Recognition of Assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset is further recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the cost of fair value of the asset can be measured reliably.

A Heritage asset that qualifies for recogition as an asset shall be initially measured at its cost. Where a heritage asset is acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses. In instances where cost is not determinable, the municipality has taken advantage of the transitional provisions.

Heritage assets are not depreciated but the municipality will assess at each reporting date based on external and internal sources of information whether there is an indication that it may be impaired. Transfers from heritage assets shall be made when and only when the particular asset no longer meets the definition of a heritage asset. Likewise transfer to heritage assets shall be made when and only when the asset meets the definiton of a heritage asset.

Heritage assets which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives, as reflected below:

Memorials & Statues	- indefinite life
Heritage Sites	- indefinite life
Museums	- indefinite life
Art Works	- indefinite life

Although a heritage asset is not depreciated, the asset is assessed for impairment at each reporting date to disclose whether there is an indication that it may be impaired

De-recognition of Asset

The carrying amount of a heritage is de-recognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition, of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

1.7 Financial instruments (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

1.7 Financial instruments (continued)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

1.8 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

1.10 Impairment of cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.11 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

GRAP 25 on employee benefits is to provide accounting principles for amounts or benefits due to employees, their spouses or third parties when employees have rendered services to the municipality, and the rendering of those services entitles employees to certain benefits.This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits which the municipality has been following in the prior year. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected.

Termination benefits are employee benefits payable as a result of either:

- an entity’s decision to terminate an employee’s employment before the normal retirement date; or
- an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

1.14 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, the municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, Service Fees

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.16 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

Value Added Tax (VAT):

The municipality accounts for VAT on the payments basis.

Fines

As per IGRAP1 assessing and recognising impairment is an event that takes place subsequent to initial recognition of revenue charged. A provision is raised accordingly when the entity assess the probability of revenue collection. The provision for traffic fines has been calculated based on the historical collection rate.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.17 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

1.19 Fruitless and wasteful expenditure (continued)

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 30/06/2015 to 30/06/2016.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Accounting Policies

1.23 Related parties

A related party is person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party or vice versa or an entity that is subject to common control or joint control.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.24 Cash and Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.25 Changes in accounting policies, estimates and errors

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening. The provisions of IGRAP 1 have been applied prospectively in line with IGRAP 1.

1.26 Events after the reporting date

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.27 Comparative Information

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of Grap does not require the restatements of comparative information. The nature and reason for the reclassification is diclosed. Where material accounting errors have been identified in the curent year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.28 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40 to the annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	No effective date	No significant impact is expected.
• GRAP32: Service Concession Arrangements: Grantor	No effective date	Currently not relevant to the municipality.
• GRAP108: Statutory Receivables	No effective date	Currently not relevant to the municipality.
• Grap 109 Accounting by Principals and Agents	No effective date	Currently not relevant to the municipality.

3. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	26,946,181	-	26,946,181	25,535,250	-	25,535,250

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	25,535,250	1,410,931	26,946,181

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	23,233,240	2,302,010	25,535,250

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2016. Revaluations were performed by an independent valuer of I @ Consulting (Pty) Ltd. I@ Consulting (Pty) Ltd are independent to the municipality and have experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	146,400,100	-	146,400,100	146,400,100	-	146,400,100
Buildings	43,078,504	(29,364,453)	13,714,051	43,078,504	(27,889,995)	15,188,509
Other Property Solid Waste (Landfill Site)	47,213,757	(7,868,960)	39,344,797	47,213,757	(31,475,838)	15,737,919
Motor vehicles	23,423,221	(23,423,220)	1	23,423,221	(23,423,220)	1
Office equipment	845,855	(777,449)	68,406	845,855	(626,355)	219,500
Infrastructure	2,646,132,056	(1,492,202,487)	1,153,929,569	2,598,997,772	(1,429,871,628)	1,169,126,144
Community	171,429,592	(116,594,843)	54,834,749	190,996,747	(111,385,067)	79,611,680
Work in Progress	67,903,964	-	67,903,964	82,052,067	-	82,052,067
Other property, plant and equipment	11,255,538	(10,076,911)	1,178,627	10,867,008	(9,123,715)	1,743,293
Total	**3,157,682,587**	**(1,680,308,323)**	**1,477,374,264**	**3,143,875,031**	**(1,633,795,818)**	**1,510,079,213**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	De-recognition of Assets	Depreciation	Total
Land	146,400,100	-	-	-	-	146,400,100
Buildings	15,188,509	-	-	-	(1,474,458)	13,714,051
Other Property Solid Waste (Landfill Site)	15,737,919	-	-	-	(7,868,959)	7,868,960
Motor vehicles	1	-	-	-	-	1
Office equipment	219,500	-	-	-	(151,094)	68,406
Infrastructure	1,169,126,144	61,100,720	-	(14,102,378)	(62,194,918)	1,153,929,569
Community	79,611,680	11,908,683	-	-	(5,209,776)	86,310,587
Work in progress	82,052,067	58,861,300	(73,009,403)	-	-	67,903,964
Other property, plant and equipment	1,743,293	388,530	-	-	(953,196)	1,178,627
	1,510,079,213	**132,259,233**	**(73,009,403)**	**(14,102,378)**	**(77,852,401)**	**1,477,374,265**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	146,400,100	-	-	-	-	-	146,400,100
Buildings	16,662,968	-	-	-	(1,474,459)	-	15,188,509
Other Property Solid Waste (Landfill Site)	23,606,878	-	-	-	(7,868,959)	-	15,737,919
Motor vehicles	4,064,029	-	-	-	(4,064,029)	-	1
Office equipment	441,043	-	-	-	(221,543)	-	219,500
Infrastructure	1,217,933,249	14,533,746	-	-	(62,192,840)	(1,148,011)	1,169,126,144
Community	85,015,134	-	-	-	(5,348,396)	(55,060)	79,611,680
Work in Progress	44,790,538	47,636,641	-	(10,375,112)	-	-	82,052,067
Other property, plant and equipment	2,184,581	499,979	(16,799)	-	(924,468)	-	1,743,293
	1,541,098,520	**62,670,366**	**(16,799)**	**(10,375,112)**	**(82,094,694)**	**(1,203,071)**	**1,510,079,213**

5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	1,501,427	(1,409,700)	91,727	1,501,427	(1,299,340)	202,087

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Intangible assets	202,087	(110,360)	91,727

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Intangible assets	312,447	(110,360)	202,087

The intangible asset category above relates to software.

6. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Buildings	2,858,229	-	2,858,229	2,858,229	-	2,858,229
Works of Art	83,810	-	83,810	83,810	-	83,810
Antiquities	528,518	-	528,518	528,518	-	528,518
Stamps	1,350	-	1,350	1,350	-	1,350
Rare Books	14,364	-	14,364	14,364	-	14,364
Monuments and Memorials	368,300	-	368,300	368,300	-	368,300
Total	**3,854,571**	**-**	**3,854,571**	**3,854,571**	**-**	**3,854,571**

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical Building	2,858,229	2,858,229
Works of Art	83,810	83,810
Antiquities	528,518	528,518
Stamp Collection	1,350	1,350
Rare Books	14,364	14,364
Monuments and Memorials	368,300	368,300
	3,854,571	**3,854,571**

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical Building	2,858,229	2,858,229

Figures in Rand	2016	2015

6. Heritage assets (continued)

Works of Art	83,810	83,810
Antiquities	528,518	528,518
Stamps	1,350	1,350
Rare Books	14,364	14,364
Monuments and Memorials	368,300	368,300
	3,854,571	**3,854,571**

The municipality has complied fully with GRAP 103. The municipality appointed i @ Consulting (Pty) Ltd as the respective service provider to perform a full verification of heritage assets as well as to assign values to all heritage assets for the financial year ended 30 June 2015. No change in value as at 30 June 2016. As per Directive 7 a list of all Heritage Assets has been included in the Fixed Asset Register of the municpality. This list is available for viewing at the main offices of the municipality.

The categories of Heritage Assets include:

Works of Art,

Antiquities

Monuments and Memorials

Stamps Collections and Collections of Rare Books

Figures in Rand	2016	2015

7. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Post employment medical benefits	(62,142,000)	(56,225,000)
Long service award	(7,137,000)	(6,050,000)
	(69,279,000)	**(62,275,000)**

Net expense recognised in the statement of financial performance

Current service cost	3,337,000	1,541,000
Interest cost	5,808,000	3,187,000
Acturial (gains) losses	(209,000)	23,201,000
Settlement	(1,932,000)	(2,285,000)
	7,004,000	**25,644,000**

Post-employment medical benefits

Assumptions used at the reporting date:

Discount rates used	9.60 %	9.35 %
Healthcare cost inflation	9.10 %	8.90 %
Net discount rate	0.46 %	0.41 %

Figures in Rand	2016	2015

7. Employee benefit obligations (continued)

Post retirement health care benefit liability.

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. The most recent actuarial valuations of planned assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2016 by PricewaterhouseCoopers Actuarial Risk & Quants (“PwC ARQ”).

Methodology

GRAP 25 requires that the Projected Unit Credit Method be used to determine the present value of the defined benefit obligation.

Rationale for the economic assumptions

Discount rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting our best-estimate discount rate assumption. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The estimated discount rate was set equal to the yield on the BESA zero-coupon yield curve with a term of 18 years, the expected duration of the liability based on the current membership data, as at 30 June 2016.

Healthcare cost inflation

In the past, healthcare cost inflation has typically exceeded the Consumer Price Index (“CPI”) by a margin of 1% to 2%.

The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the healthcare cost inflation assumption.

The CPI inflation assumption using this methodology is 7.10% as at 30 June 2016. Thus, the healthcare cost inflation has been set as 9.10% at the valuation date, after allowing for a margin of 2% over CPI inflation.

Maximum subsidy increase

The maximum subsidy increase assumption was set equal to the healthcare cost inflation assumption as described above. This is in line with the previous valuation.

We note that the maximum subsidy amount has not been increased for the 2016/2017 financial year; however, the Municipality confirmed that this is expected to still increase in line with medical inflation in future.

Net discount rate

The relationship between the gross discount rate and healthcare cost inflation rate is more important than the individual values. The net discount rate is also a highly significant assumption in the respective valuations.

The future medical benefits are projected in line with the healthcare cost inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate.

The net discount rate therefore depends on the relationship between the gross discount rate and the healthcare cost inflation rate respectively. Using the gross discount and healthcare cost inflation rates as shown above, the resulting net

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

7. Employee benefit obligations (continued)

discount rate is 0.46% (calculated as (1 + discount rate)/(1 + healthcare cost inflation rate) – 1) for the 30 June 2016 valuation.

Summary of membership data used in the valuation - Current Employees	**30 June 2016 - Males**	**30 June 2016 - Females**	**30 June 2015 - Males**	**30 June 2015 - Females**
Number of current employees	154	84	143	84
Average age of employees	44	43	43	43
Average years of past service	11	10	10	9
Average total monthly premium of Principal Members (R)*	2,039	2,101	1,943	1,903
Average total monthly premium of Adult dependants (R)*	1,539	1,620	1,431	1,482
	-	-	-	-

Summary of membership data used in the valuation - Continuation	**30 June 2016 - Males**	**30 June 2016 - Females**	**30 June 2015 - Males**	**30 June 2015 - Females**
Number of continuation members	17	31	18	31
Average age of conituation members	72	76	72	76
Actual percentage married (%)	94	3	89	3
Average total monthly premium of Principal members (R)*	3,498	3,643	3,543	3,556
Average total monthly premium of adult dependants (R)*	2,405	2,487	2,410	2,410
	-	-	-	-

Long Service Awards

Gross discount rate	8.70%	8.40%
Salary inflation	8.50%	8.10%
Net discount rate	0.18%	0.28%

Notes to the Annual Financial Statements

7. Employee benefit obligations (continued)

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year.

The most recent actuarial valuations of planned assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2016 by PricewaterhouseCoopers Actuarial Risk & Quants ("PwC ARQ").

Methodology

GRAP 25 requires that the Projected Unit Credit Method be used to determine the present value of the defined benefit obligation.

Rationale for the economic assumptions

Discount rate

GRAP 25 requires that the discount rate used in the valuation be determined by reference to market yields on government bonds as at the balance sheet date. In line with GRAP 25 and current market practice, government bond yields are therefore used when setting our best-estimate discount rate assumption. The currency and term of the government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations. The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 7 years, the expected duration of the liability based on the current membership data, as at 30 June 2016.

Salary inflation

In the past, salary inflation has typically exceeded the Consumer Price Index ("CPI") by a margin of around 2%.

The Bond Exchange of South Africa fits a real yield curve on index-linked bonds. This real yield curve is published together with the BEASSA yield curve on zero-coupon government bond yields, which is a nominal yield curve.

The inflation assumption methodology has been updated to reflect the use of the real and nominal yield curves to determine the inflation assumption as this provides more accurate information on the outlook on inflation at specific durations. Therefore, the best estimate inflation assumption is calculated as the difference between the nominal and real yield curves at the point corresponding to the duration of the liability, including a 0.5% inflation risk premium adjustment to make appropriate allowance for the current economic environment. A margin of 2% was added to this value to determine the salary inflation assumption.

The CPI inflation assumption using this methodology is 6.5% as at 30 June 2016. Thus, the salary inflation has been set as 8.50% at the valuation date, after allowing for a margin of 2% over CPI inflation.

Net discount rate

The relationship between the gross discount rate and salary inflation rates are more important than their individual values. The net discount rate is also a highly significant assumption in the respective valuations. The future long service awards are projected in line with the salary inflation rate and discounted at the gross discount rate. This is equivalent to discounting the benefits at their current level at the net discount rate. The net discount rate therefore depends on the relationship between the gross discount rate and the salary inflation rate respectively. Using the gross discount and salary inflation rates as shown above, the resulting net discount rate is 0.18% (calculated as (1 + discount rate)/(1 + salary inflation rate) – 1) for the 30 June 2016 valuation.

Summary of membership data used in the valuation - Current Employees	**30 June 2016 - Males**	**30 June 2016 - Females**	**30 June 2015 - Males**	**30 June 2015 - Females**
Number of current employees	313	127	321	133
Average age of employees	46	44	46	43
Average years of past service	12	12	11	10
Average annual salary	142,702	156,931	132,203	142,172

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

7. Employee benefit obligations (continued)

	-	-	-	-

8. Inventories

	2016	2015
Electricity Inventory	5,943,664	1,993,935
Water Inventory	2,009,296	7,952,062
Rates and General	3,316,559	1,996,936
	11,269,519	**11,942,933**

9. Receivables from non-exchange transactions

	2016	2015
Consumer debtors-rates	44,798,223	36,905,200
Provision for traffic fines	(9,773,533)	(4,967,970)
Sundry Debtors	11,487,914	11,509,361
Other receivables	266,822	421,587
Traffic Fine Debtors	12,863,599	7,097,099
	59,643,025	**50,965,277**

10. VAT receivable

	2016	2015
VAT	9,683,836	3,052,308

Vat is payable on the payments basis. Amount claimable to SARS is disclosed in the Vat control account where VAT 201s.and Vat refunds are offset and amounts due or payable to SARS is disclosed

11. Receivables from exchange transactions

	2016	2015
Gross balances		
Electricity	18,601,717	9,636,944
Water	19,226,619	29,550,364
Sewerage	16,312,088	14,077,234
Refuse	10,982,337	9,989,183
VAT	8,802,465	8,532,700
	73,925,226	**71,786,425**
Less: Allowance for impairment		
Electricity	(8,514,296)	(3,083,755)
Water	(14,194,574)	(13,563,009)
Sewerage	(12,573,626)	(10,660,674)
Refuse	(9,713,940)	(7,880,226)
Value Added Taxation	(6,447,904)	(4,746,000)
Other	-	1,552
	(51,444,340)	**(39,932,112)**
Net balance		
Electricity	10,087,421	6,553,189
Water	5,032,045	15,987,355
Sewerage	3,738,462	3,416,560
Refuse	1,268,397	2,108,957
Value Added Taxation	(6,447,904)	(4,746,000)
Other	8,802,465	8,534,252
	22,480,886	**31,854,313**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

11. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	7,085,609	6,163,773
31 - 60 days	952,436	621,453
61 - 90 days	280,140	241,899
91 - 120 days	252,478	114,998
121 - 365 days	1,516,758	69,060
> 365 days	-	99,923
	10,087,421	**7,311,106**

Water		
Current (0 -30 days)	1,559,820	2,557,657
31 - 60 days	1,311,125	1,439,335
61 - 90 days	592,168	1,317,378
91 - 120 days	472,144	951,971
121 - 365 days	1,096,789	1,442,859
> 365 days	-	7,520,269
	5,032,046	**15,229,469**

Sewerage		
Current (0 -30 days)	1,325,718	1,441,164
31 - 60 days	743,782	673,497
61 - 90 days	309,191	569,144
91 - 120 days	262,983	263,833
121 - 365 days	1,096,789	239,894
> 365 days	-	229,028
	3,738,463	**3,416,560**

Refuse		
Current (0 -30 days)	563,338	693,316
31 - 60 days	443,659	415,275
61 - 90 days	160,940	385,371
91 - 120 days	100,459	178,959
121 - 365 days	-	165,145
> 365 days	-	270,891
	1,268,396	**2,108,957**

Value Added Tax		
Current (0 -30 days)	1,452,281	1,575,050
31 - 60 days	525,068	444,417
61 - 90 days	202,470	361,726
91 - 120 days	174,743	212,793
121 - 365 days	-	274,741
> 365 days	-	919,483
	2,354,562	**3,788,210**

Figures in Rand	2016	2015

11. Receivables from exchange transactions (continued)

In the determination of the amounts deemed to be impaired at financial year end, the municipal impairment policy was applied as follows:

The value of the provision is determined as follows:

0% of consumer debt greater than 0 days but less than or equal to 90 days

50% of consumer debt greater than 91 days but less than or equal to 120 days

50% of consumer debt greater than 121 days but less than or equal to 150 days

100% of consumer debt greater than 151 days

The calculation for impairment excludes property rates, rates penalties, rates collection charges, legal fees, and all Government debt

12. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2016	2015
Cash on hand and Petty cash	5,320	3,820
Bank balances	3,864,108	10,561,309
Short-term deposits	9,752,282	26,070,944
	13,621,710	**36,636,073**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	**30 June 2015**	**30 June 2014**	**30 June 2016**	**30 June 2015**	**30 June 2014**
ABSA Bank - Cheque Account - 100 500 1109	1,045,857	1,574,163	11,366,984	1,045,857	1,599,057	11,420,569
Nedbank - Current Account - 106 737 9770	4,104,557	8,811,235	81,671	2,818,251	8,962,252	81,671
Total	**5,150,414**	**10,385,398**	**11,448,655**	**3,864,108**	**10,561,309**	**11,502,240**

Short term deposits	**2016**	**2015**
Absa 9195460586	1,000	531,504
Absa 9229810136	2,354,839	2,252,646
Absa 9061060389	-	927,707
Standard Bank 068461763-003	1,070,372	11,769,354
Nedbank 037165020780	5,404,048	494,566
Standard Bank 068461763-005	53,169	50,365
Sims Munvry	8	1,896,555
Absa 5598098427	-	1,489,830
Absa 9122861337	70,064	67,311
Absa 9229810534	798,790	764,125
First National Bank 74355032547	-	5,826,981
	9,752,290	**26,070,944**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Finance lease obligation

Minimum lease payments due		
- within one year	444,907	2,856,534
- in second to fifth year inclusive	-	7,119
Present value of minimum lease payments	**444,907**	**2,863,653**

The leases relate to vehicles and office equipment and have been recognised at the lower of the present value of minimum lease payments and fair value at the date of inception.

The average lease term for leases is 3 years and a discounted rate of 8 % has been used for the purposes of amortisation of the lease balance.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Integrated National Electrification Grant	910,682	-
Gijima Grant	38,830	38,830
Land Use Management Grant	229,850	229,850
Provincial Housing Grant	60,000	60,000
Municipal Infrastructure Grant	76,621	446,564
Upgrade Billing Emondlo	3,166	3,166
Housing Grant	225,383	225,383
Water Massification	2,569	2,569
COGTA Ward 5 Electrification	2,214,580	-
COGTA Thusong Centre - Operational	750,000	-
Library Grant	1,251,615	695,470
Small Town Rehabilitation	-	947,676
Expanded Public Works Programme Grant	82,587	-
Cecil Emmett Sports Grant - Caretakers	-	108,100
Cecil Emmett Sports Facilities	2,100,000	2,100,000
Scheme Support Grant	90,000	337,000
Environmental Health Grant	-	50,000
	8,035,883	**5,244,608**

15. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	55,632,121	5,702,292	61,334,413

Reconciliation of provisions - 2015

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	53,121,529	2,510,591	55,632,121

Environmental rehabilitation provision

The determination of the costs required for the rehabilitation of the Vryheid eMondlo and Louwsburg landfill sites was done as at June 2016. The Vryheid landfill site will operate until 2045 while the other sites have ceased operations but will still require rehabilitation. The calculated cost estimates were escalated using CPI.

	2016	2015
Vryheid	56,324,075	51,087,597
Emondlo	3,405,904	3,089,255
Louwburg	1,604,434	1,455,269
	61,334,413	**55,632,121**

16. Payables from exchange transactions

Trade payables	46,915,466	46,856,235
Unallocated deposits	1,251,725	1,000,423
Halls Deposits	53,022	65,098
Leave payment accrual	12,099,384	9,086,871
Deposits refundable	16,761	-
Retentions	8,472,981	5,802,967
	68,809,339	**62,811,594**

17. Consumer deposits

Electricity	12,422,623	12,005,571
Water	1,169,725	1,097,119
Housing rental	-	42,400
	13,592,348	**13,145,090**

18. Other liability - Eskom Liability

Other liabilities relate to a loan agreement with Eskom.

The loan carry's no interest.

Eskom Liability		
Current Portion	-	1,381,339

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

19. Revenue

Service charges	238,008,500	224,762,667
Rental of facilities and equipment	1,222,139	1,297,331
Interest received-sundry debtors	15,277	15,804
Licences and permits	4,236,392	4,063,131
Fair valuation gain	1,410,931	2,156,500
Other income	5,648,377	1,751,029
Interest received - investment	1,759,548	3,150,190
Property rates	58,089,079	59,009,856
Property rates - penalties imposed	2,318,099	1,890,363
Government grants & subsidies	175,227,632	164,684,334
Fines	6,640,087	3,684,951
	494,576,061	**466,466,156**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	238,008,500	224,762,667
Rental of facilities and equipment	1,222,139	1,297,331
Interest received-sundry debtors	15,277	15,804
Licences and permits	4,236,392	4,063,131
Fair valuation gain	1,410,931	2,156,500
Other income	5,648,377	1,751,029
Interest received - investment	1,759,548	3,150,190
	252,301,164	**237,196,652**

The amount included in revenue arising from non-exchange transactions is as follows:		
Property Rates		
Property rates	58,089,079	59,009,856
Property rates - penalties imposed	2,318,099	1,890,363
Transfer revenue		
Government grants & subsidies	175,227,632	164,684,334
Fines	6,640,087	3,684,951
	242,274,897	**229,269,504**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

20. Property rates

Rates received

Property rates	60,352,783	60,975,779
Rates Rebate	(787,546)	(704,856)
Rates Reduction	(1,476,158)	(1,261,067)
	58,089,079	59,009,856
Property rates - penalties imposed	2,318,099	1,890,363
	60,407,178	**60,900,219**

Valuations

Residential	3,481,760,005	3,367,850,004
Commercial	1,117,346,030	1,046,036,025
State	745,420,125	677,087,026
Place of Worship	103,885,000	35,150,000
Schools: Non Government	-	38,830,000
Vacant land	148,645,000	76,017,100
Non Taxable	-	650,771,600
Public Service Infrastructure	14,866,100	5,258,000
S P L	92,647,001	2,080,000
Agriculture	2,403,918,201	2,244,371,200
Industrial	14,860,000	-
Municipal	34,356,600	-
	8,157,704,062	**8,143,450,955**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations.

Rates are levied on monthly basis with the final date for payment being the 9th of every month. Interest at prime plus 1% per annum is levied on outstanding rates.

Rebates on indigents, pensioners, persons with disability grants and child headed households: R 459.89 per annum.

Rates will be due and payable in 12 equal or near instalments on the 9th of each month, when the 9th is a public holiday or weekend, the first day thereafter. The date on which the determination of rates came into operation is 1 July 2015. Any rates that are not paid on the due dates will be subject to interest at the rate of prime plus one percent per annum. This notice is also available on AbaQulusi Municipality's website: www.abaqulusi.gov.za

Rates are charged on market value of Land and Buildings	**Approved Tariffs 2015/2016**	**Proposed Tariffs 2016/2017**
Residential	R 0.0070753	R0.0075422
Municipal Property	R Nil	R Nil
Business and Commercial	R 0.0176882	R0.0188556
Industrial Property	R 0.0176882	R0.0188556
Vacant Land	R 0.0176882	R0.0188556
Agricultural Property	R 0.0017689	R0.0018857
State owned Properties	R 0.0176882	R0.0188556
Public Service Infrastructure	R Nil	R Nil
Specified Public Benefit Activity	R 0.0017689	R0.0018857
Specialised Non - Market Properties	R 0.0017689	R0.0018857
Reductions on residential property value	R 15 000	R 15 000

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

21. Service charges

Refuse removal	17,391,423	15,945,586
Sale of electricity	162,861,520	146,379,185
Sale of water	34,864,360	36,524,166
Sewerage and sanitation charges	22,891,197	25,913,730
	238,008,500	**224,762,667**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

22. Government grants and subsidies

Operating grants		
Equitable share	106,246,000	95,434,000
MSIG	930,000	934,000
EDI	-	55,518
EPWP Grant	1,334,413	1,376,000
Emergency Repair Water Grant (COGTA)	-	713,653
FMG	1,764,976	1,600,000
Provincial Housing Grant	-	88,730
ZDM	50,000	-
DOE	18,089,318	9,000,000
Cecil Emmet Sports Grant	108,000	121,200
Environmental Health Grant	50,030	-
COGTA Ward 5 Electrification	2,785,420	-
PMS	-	29,045
Small Town	947,676	7,006,919
Scheme Support Grant	247,000	13,000
Library Grant (operating)	2,233,209	2,462,326
Cyber Cadet Library Grant	339,647	252,000
Museum Grant (operating)	166,000	172,441
	135,291,689	119,258,832
Capital grants		
Municipal Infrastructure Grant	39,935,943	40,911,436
COGTA Grant - Thusong Centre	-	4,514,066
	39,935,943	45,425,502
	175,227,632	**164,684,334**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. This grant is unconditional that supplements the revenue that municipalities can raise themselves.

Equitable Share		
Current Year Receipts	106,246,000	95,434,000
Current Year Expenditure	(106,246,000)	(95,434,000)
	-	-

MSIG

Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	-	-

DOE Grant

Current-year receipts	19,000,000	9,000,000
Conditions met - transferred to revenue	(18,089,318)	(9,000,000)
	910,682	-

Gijima Grant

Balance unspent at beginning of year	38,830	38,830

Figures in Rand	2016	2015

22. Government grants and subsidies (continued)

EDI Grant

Balance unspent at beginning of year	-	55,518
Conditions met - transferred to revenue	-	(55,518)
	-	**-**

Land Use Management Grant

Balance unspent at beginning of year	229,850	229,850

Provincial Housing Grant

Balance unspent at beginning of year	60,000	60,000
Current-year receipts	-	88,730
Conditions met - transferred to revenue	-	(88,730)
	60,000	**60,000**

MIG

Balance unspent at beginning of year	446,564	-
Current-year receipts	39,566,000	41,358,000
Conditions met - transferred to revenue	(39,935,943)	(40,911,436)
	76,621	**446,564**

FMG

Current-year receipts	1,600,000	1,600,000
Conditions met - transferred to revenue	(1,600,000)	(1,600,000)
	-	**-**

Upgrade Billing Emondlo

Balance unspent at beginning of year	3,166	3,166

PMS

Balance unspent at beginning of year	-	29,045
Conditions met - transferred to revenue	-	(29,045)
	-	**-**

Housing Grant

Balance unspent at beginning of year	225,383	225,383

COGTA Grant: Thusong Centre

Figures in Rand	2016	2015

22. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	3,264,066
Current-year receipts	750,000	1,250,000
Conditions met - transferred to revenue	-	(4,514,066)
	750,000	**-**

Emergency Repair Grant (COGTA)

Balance unspent at beginning of year	2,569	716,222
Conditions met - transferred to revenue	-	(713,653)
	2,569	**2,569**

Tourism Operation Grant ZDM

Current-year receipts	50,000	-
Conditions met - transferred to revenue	(50,000)	-
	-	**-**

Library Grants

Balance unspent at beginning of year	695,471	457,797
Current-year receipts	2,789,000	2,700,000
Conditions met - transferred to revenue	(2,233,209)	(2,004,529)
Other	-	(457,797)
	1,251,262	**695,471**

Museum Grant

Balance unspent at beginning of year	-	21,441
Current-year receipts	166,000	151,000
Conditions met - transferred to revenue	(166,000)	(151,000)
Other	-	(21,441)
	-	**-**

Cyber Cadet Library Grant

Current-year receipts	340,000	252,000
Conditions met - transferred to revenue	(339,647)	(252,000)
	353	**-**

Small Town Rehabilitation Grant

Balance unspent at beginning of year	947,676	454,595
Current-year receipts	-	7,500,000
Conditions met - transferred to revenue	(947,676)	(6,552,324)
Other	-	(454,595)
	-	**947,676**

EPWP Grant

Current-year receipts	1,417,000	1,376,000
Conditions met - transferred to revenue	(1,334,413)	(1,376,000)
	82,587	**-**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

22. Government grants and subsidies (continued)

Scheme Support Grant

Balance unspent at beginning of year	337,000	-
Current-year receipts	-	350,000
Conditions met - transferred to revenue	(247,000)	(13,000)
	90,000	**337,000**

Cecil EMMET Sports Field (Caretakers)

Balance unspent at beginning of year	108,100	-
Current-year receipts	-	229,300
Conditions met - transferred to revenue	(108,100)	(121,200)
	-	**108,100**

Cecil Emmet Sports Facilities

Balance unspent at beginning of year	2,100,000	525,000
Current-year receipts	-	1,575,000
	2,100,000	**2,100,000**

COGTA Ward 5 Electricfication

Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(2,785,420)	-
	2,214,580	**-**

Environmental Health Grant

Balance unspent at beginning of year	50,000	-
Current-year receipts	-	50,000
Conditions met - transferred to revenue	(50,000)	-
	-	**50,000**

COGTA THUSONG centre operational

Current-year receipts	750,000	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

23. Other income

Burial fees	164,634	152,126
Encroachment fees	36,389	33,838
Swimming pool gate fees	5,843	5,236
Klipfontein gate fees	55,040	41,382
Advert/Signs fees	12,841	6,315
IEC Election income	14,440	1,810
Lost book charges	3,819	2,667
Membership fees	4,806	6,079
Monument erection	26,119	25,124
Park fees	-	1,836
Photostat copies	18,946	22,654
Plan fees	21,033	27,050
Print fees	3,187	-
Rates clearances	59,003	62,700
Rezoning	20,067	51,836
SETA	-	247,912
Special consent	30,909	46,610
Sundry income	56,212	15,583
Proceeds on disposal of assets	-	659,845
Tender deposits	40,202	253,207
Bad debts recovered	-	11,074
Stock write up	5,061,339	-
Building permits	4,162	2,056
Business licence	5,000	5,000
Donation income	4,386	26,316
Valuation certificate	-	116
Settlement Discount	-	42,657
	5,648,377	**1,751,029**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. General expenses

Advertising	318,171	490,000
Allowance & contributions pensioners	1,640,061	1,769,580
Auditors remuneration	4,439,063	5,233,578
Bank charges	1,160,698	1,253,738
Cleaning materials	320,447	373,694
Commission on vendor sales	1,263,097	1,020,166
Compensation commission	-	486,441
Legal expenses	1,351,591	1,521,571
Disaster relief	427,747	304,176
Entertainment	179,236	147,439
Electricity & Water services	6,217,982	7,298,650
Indigent burials	321,810	228,024
Insurance	1,503,452	813,885
Council community projects	1,370,281	1,342,285
Conferences and seminars	94,922	72,186
Minor equipment	163,698	181,058
Prayer day	11,700	10,948
SDL Levies	1,229,635	1,167,684
Strategic planning	45,806	137,428
Fuel and oil	4,997,753	4,426,272
Point duty at schools	3,840	3,919
Postage and courier	831,652	767,397
Printing and stationery	962,555	1,180,613
Professional fees	179,655	509,944
Pension expenditure employee benefits	217,392	120,409
Sports and comm services functions	1,294,711	1,188,340
Wellness program	12,719	27,615
Membership fees	2,302,674	1,272,526
Telephone and fax	1,268,850	1,142,065
Training	850,470	888,775
Travel and subsistence	2,941,512	1,907,560
Title deed search fees	38,332	27,866
Tourism development	310	150
Inventory write off	6,532,293	-
First aid suppliers	-	965
Ward committee members allowance	2,598,000	2,610,000
Chemicals	2,932,258	2,236,391
Budget roadshows	325,435	812,118
Other expenses	10,126,152	5,049,229
	60,475,960	**48,024,685**

25. Employee related costs

Employee related costs- Salaries and Wages	66,582,075	72,199,411
Performance and other bonuses	5,445,989	4,810,318
Employee related costs-Contributons for UIF, Pensions and Medical aids	20,066,637	18,308,383
Leave pay provision charge	4,066,856	2,304,321
Travel, motor car, accommodation, subsistence and other allowances	7,604,719	6,282,108
Overtime payments	17,213,275	12,347,529
Long-service awards	22,601	31,506
Housing benefits and allowances	1,025,426	249,636
Other employee related costs	2,597,756	2,055,368
	124,625,334	**118,588,580**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. Employee related costs (continued)

Remuneration of municipal manager

For the 30 June 2016 annual financial year, the municipality functioned without a municipal manager.
Director Community acted as Municipal Manager for the 2015/2016 financial period.

Remuneration of chief finance officer

Annual Remuneration	1,184,556	843,233
Car Allowance	-	154,851
Cell Allowance	52,500	6,000
Subsistance and Travel	74,746	-
	1,311,802	**1,004,084**

Remuneration director technical

Annual Remuneration	1,184,556	993,000
Cell Allowance	65,000	-
Subsistance and Travel	58,304	-
	1,307,860	**993,000**

Remuneration director corporate

Annual Remuneration	1,177,481	993,000
Cell Allowance	68,000	-
Acting Allowance	8,240	49,440
Subsistance and Travel	26,817	-
	1,280,538	**1,042,440**

Remuneration director community

Annual Remuneration	1,182,874	993,000
Cell Allowance	71,500	-
Subsistance and Travel	20,686	-
Acting Allowance (Municipal Manager)	97,865	-
	1,372,925	**993,000**

Remuneration director planning & development

Annual Remuneration	648,182	67,000
Car Allowance	-	37,868
Housing Allowance	237,926	36,604
Cell Allowance	47,500	10,000
Travel Allowance	288,447	-
Subsistance and Travel	58,229	-
	1,280,284	**151,472**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

26. Remuneration of councillors

Mayor	820,000	770,497
Deputy Mayor	670,000	476,483
Executive Committee Members	4,900,000	4,379,633
Speaker	670,000	662,991
Councillors	7,735,177	7,592,164
Councillors travel allowance	188,767	131,473
Councillors cell allowance	786,102	805,405
	15,770,046	**14,818,646**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time employees. The Mayor, Deputy Mayor and Speaker are each provided with an office and secretarial support at the cost of the Municipality. The Executive Committe members are provided with an office only.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor, deputy mayor and the speaker each has a full-time bodyguard and a driver.

27. Debt impairment

Contributions to debt impairment provision	16,309,371	11,891,865

28. Investment revenue

Interest revenue		
Investments	1,759,548	3,150,190

29. Depreciation and amortisation

Property, plant and equipment	77,852,402	82,094,694
Intangible assets	110,360	110,360
	77,962,762	**82,205,054**

30. Impairment of assets

Impairments		
Property, plant and equipment	-	1,203,071

31. Finance costs

Interest on external loan	237,612	484,288
Finance leases	109,683	457,972
	347,295	**942,260**

The interest expense on finance leases has been calculated at an effective interest rate of 8% on the present value of the minimum lease payments.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

32. Auditors' remuneration

Internal Audit	1,984,477	1,205,663
External Audit	1,554,433	2,065,871
Audit Committee Members	162,568	179,940
Forensic Audit	562,584	1,782,103
	4,264,062	**5,233,577**

33. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	166,692	163,451
Rental income	1,055,447	1,133,880
	1,222,139	**1,297,331**
	1,222,139	**1,297,331**

34. Grants and subsidies paid

Other subsidies		
Grants Expenditure	20,880,175	33,794,048
Provincial Housing Grant	-	88,730
Grant Aid	-	4,839
SPCA Grant	95,000	90,780
	20,975,175	**33,978,397**

35. Bulk purchases

Electricity	143,323,796	129,184,533

36. Cash generated from operations

Deficit	(67,298,790)	(78,064,714)
Adjustments for:		
Depreciation and amortisation	77,962,762	82,205,053
Loss (Profit) on sale of assets and liabilities	14,102,378	659,845
Provision for post employee benfits	7,004,000	25,795,790
Provision for doubtful debt	16,309,371	11,891,865
Land Provision	5,702,292	2,510,591
Fair value gain	(1,410,931)	(2,156,501)
Traffic Fines	-	(3,592,893)
Impairment	-	1,203,071
Finance Cost	347,295	-
Changes in working capital:		
Inventories	673,414	2,489,192
Receivables from non-exchange transactions	8,677,748	(10,078,777)
Receivables for exchange transactions	9,373,427	(9,294,418)
Payables from exchange transactions	27,938,962	25,246,559
Vat receivables	6,631,528	(355,352)
Unspent conditional grants and receipts	2,791,275	(1,065,605)
Consumer deposits	447,258	202,097
Other liability	3,792,967	-
	113,044,956	**47,595,803**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

37. Distribution losses

The actual loss in distribution water cannot be determined in view of the fact that eMondlo consumers are not billed. The difference between water purified and sold can therefore not be regarded as lost in distribution, seeing that a large percentage of it is not metered.

Electricity	**2016**	**2015**
Number of consumers (Residential & Commercial)	20,935	19,840
Units purchased	157,821,681	161,832,199
Units sold (Total)	82,996,662	112,544,498
Units lost in Distribution	74,825,019	49,287,701
% Lost in distribution	47.41%	30.46%
Total Costs (Expenses)	224,387,697	129,184,533
Cost per unit purchased.	1.42	0.78
TOTAL COST LOST THROUGH DISTRIBUTION	106,384,709	38,444,407
	-	-

Water	**2016**	**2015**
Number of consumers	10,221	10,147
Kilolitres purified	6,227,000	9,765,833
Kilolitres sold (Total)	2,834,023	3,645,402
Kilolitres lost in distribution	3,392,977	5,669,295
% Lost in distribution	54%	46%
Total Cost (Expense) - Calculated on weighted average	13,849,339	11,668,418
Cost per kilolitre purified	0.45	0.98
TOTAL COST LOST THROUGH DISTRIBUTION	3,415,767	5,569,038
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

38. Water Inventory

Water Inventory - 2015	Rand value of inventory 2015
Opening Balance	7,066,261
Purified	9,593,131
Less sold	(3,580,936)
Less loss through purification 10%	(959,313)
Less sold to indigent	(12,539)
Loss through distribution	(5,569,038)
Closing Balance	**6,537,566**

Water Inventory - 2016	Rand value of inventory 2016
Opening Balance - Weighted Average Valuation	6,537,566
Adjustment to stock valuation	(6,532,293)
Closing Balance - Volumetric Valuation	**5,273**

The muncipality performed a volumetric valuation of water retained in the reservoirs and the water network (pipes). Based on the following assupmtions, the closing stock valuation was determined.

The valuation is based on the methodology of purified costs per kilolitre (KL) multiplied by the volume maintained in the reservoirs and pipes.

All pipes are calculated at 100% capacity.

All pipes now have correct pipe diameters.

All reservoir levels not recorded on telemetery as on 30 June 2016 are calculated at 20% capacity due to water shortages.

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	7,220,483	58,505,409

This expenditure relates to Property, plant and equipment and will be financed from Government Grants.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

40. Contingencies

Legal letters were sent to the Municipalities attorneys in order to obtain details of potential claims against the municipality. Responses were received back from B.M Thusini Attorneys, Cox & Partners and Garlicke and Bousfield. The details of the claimant and an estimation of the potential claim is detailed below. As at the end of the financial year the municipality had the following litigation matters outstanding:

Contingencies		
African Oxygen Limited	8,000	8,000
Martin and Mathinius Pretorius	400,000	400,000
Martin and Mathinius Pretorius	100,000	100,000
51 employees	50,000	50,000
Appeals Board	150,000	150,000
Eric Maphiri	50,000	50,000
Mrs Martha Laas	200,000	200,000
Johannes C. Van der Colf	80,000	80,000
Afriforum	25,000	25,000
Noord Vrystaat Graan & Vee	100,000	100,000
Itramas	500,000	500,000
Nashay Singh	550,000	550,000
Tender documents relating to reading of meters	37,747	37,747
JD Hoffman (legal fees and damage)	145,301	145,301
Metgovis Pty Ltd (Legal fees and damage)	105,873	105,873
SA Local authorities and pension fund (Legal fees and damage)	431,980	431,980
Dumani Projects Pty Ltd (Legal fees and damage)	342,545	342,545
High Court Case no. 3265/2009 Edcon Ltd and Wrley and Parsons RSA (legal fees plus damage)	6,157,101	6,157,101
TZ 98 illegal occupation of ERF 561	56,558	56,558
T423 Non-responsive client	5,154	5,154
Petroleum Pty Ltd	3,000	3,000
FJ Bender	71,917	71,917
MP Mdletshe	13,260	13,260
Hofman	193,795	193,795
Dumani Projects	282,544	282,544
Metgovis	64,772	64,772
Edcon	6,169,591	6,169,591
Graceland Investments	48,720	48,720
MI Sangweni	137,388	137,388
	16,480,246	**16,480,246**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

41. Prior period errors

The aggregate effect of the prior year adjustments in the annual financial statements for the period ended 30 June 2015 is as follows:

During the financial year 2015/2016 the following prior period errors were identified and corrected. These corrections were made to correctly reflect the comparative figures for the 2014/2015 financial year.
The table below outlines the reasons for the necessary adjustments:

Property Plant Equipment	**2015**	**Total**
Balance as previously reported	1,507,475,748	1,507,475,748
Correction to road assets	(396,534)	(396,534)
High mast light accrued in prior year transferred to WIP	3,000,000	3,000,000
Restated balance as at 30 June 2015	**1,510,079,214**	**1,510,079,214**

Payables from exchange transactions	**2015**	**Total**
Balance as previously reported	63,272,771	63,272,771
Duplication of jounals corrected.	192,535	192,535
Trade Creditor "TRANSA" paid in 2014 but not removed from Accrual	(653,721)	(653,721)
Restated balance as at 30 June 2015	**62,811,585**	**62,811,585**

Receivables from exchange transactions	**2015**	**Total**
Balance as previously reported	32,612,188	32,612,188
Individual debtor balances were adjusted automatically by the system.	(757,886)	(757,886)
Restated balance as at 30 June 2015	**31,854,302**	**31,854,302**

Investment Property	**2015**	**Total**
Balance as previously reported	25,389,741	25,389,741
Recognition of fair value gain on Investment Properties	145,509	145,509
Restated balance as at 30 June 2015	**25,535,250**	**25,535,250**

Receiveables from non exchange transaction	**2015**	**Total**
Balance as previously reported	52,049,106	52,049,106
Insurance claims detailed as receivables was refuted or not honoured by the insurance company.	(1,083,829)	(1,083,829)
Restated balance as at 30 June 2015	**50,965,277**	**50,965,277**

VAT Receiveable	**2015**	**Total**
Balance as previously reported	3,047,101	3,047,101
Vat correction on billing	5,207	5,207
Restated balance as at 30 June 2015	**3,052,308**	**3,052,308**

Consumer Deposits	**2015**	**Total**
Balance as previously reported	13,102,690	13,102,690
Correction to miscellaneous deposits	42,400	42,400
Restated balance as at 30 June 2015	**13,145,090**	**13,145,090**

Accumulated Surplus	**2015**	**Total**
Balance as previously reported	(1,469,437,366)	(1,469,437,366)
Duplication of jounals corrected.	192,535	192,535
Recognition of fair value gain on Investment Properties	(145,509)	(145,509)
Correction to road assets	396,534	396,534
High mast light accrued in prior year transferred to WIP	(3,000,000)	(3,000,000)

Figures in Rand	2016	2015

41. Prior period errors (continued)

Trade Creditor "TRANSA" paid in 2014 but not removed from Accrual	(653,721)	(653,721)
Billing adjustments - system generated	757,886	757,886
Insurance claim refuted	1,083,829	1,083,829
Vat correction on billing	(5,207)	(5,207)
Correction to miscellaneous deposits	42,400	42,400
Restated balance as at 30 June 2015	**(1,470,768,619)**	**(1,470,768,619)**

42. Risk management

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate, utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Financial instruments	**2016**	**2015**
Current Assets	116,698,976	134,450,904
Current Liabilities	90,882,478	85,439,166
	-	-
Liquidity ratio	1.28 : 1	1.57 : 1

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

At 30 June 2016, financial instruments exposed to interest rate risk were call and notice deposits.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis in terms of council policy. Sales to consumer customers are settled in cash. The Municipalities exposure to credit risk is indicated below.

	2016	**2015**
Cash and Cash Equivalents	13,621,710	36,636,073
Receiveables fron non-exchange transactions	59,643,025	50,965,277
Receiveables from exchange transactions	22,480,886	31,854,313

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.
The going concern principle is the assumption that an entity will remain in operation for the foreseeable future. Conversely, this means the entity will not be forced to halt operations and liquidate its assets in the near term.
The municipality is assumed to be a going concern in the absence of significant information to the contrary. An example of such contrary information is the municipality's inability to meet its obligations as they come due.
The Municipality has suffered operating losses in the current and prior year largely because of the loss of revenue due to significant electricity and water losses and a high rate of non-payment of debtors.
In addition, the Municipality has demonstrated positive financial ratios in the current and prior year despite the Operating losses.

Figures in Rand	2016	2015

43. Going concern (continued)

Acid Test Ratio	Current Assets	Current Liabilities	Acid Test Ration
2014/2015	122,507,971	85,439,166	1.4
2015/2016	105,429,457	90,882,477	1.2
	-	-	

The acid test ratio is calculated as a municipality's current assets minus inventory divided by current liabilities. The accepted acid test ratio is considered to be 1:1, which indicates that the entity is able to meet its current credit obligations without disposing of its inventory.

Current Asset Ratio	Current Assets	Current Liabilities	Current Asset Ratio
2014/2015	134,450,904	85,439,166	1.6
2015/2016	116,698,976	90,882,477	1.3
	-	-	

The current ratio (also called the working capital ratio) is calculated as current assets divided by current liabilities. This ratio measures the extent to which current or short-term assets can be disposed to liquidate the current or short-term liabilities. The acceptable ratio is 1:1. The Municipality demonstrates postive current asset ratios.

Debt Ratio	Total Liabilities	Total Assets	Debt Ratio
2014/2015	203,353,406	1,674,122,025	12%
2015/2016	221,495,890	1,624,965,719	14%
	-	-	

The debt ratio is the proportion of debt the entity has relative to its assets and provides an indication as to how much municipalities rely on debt to finance their assets. This ratio assists entities to assess risks they are facing in terms of their debt load.

Approximately 12% of municipal assets were financed through debt in the 2014/2015 financial year, and approximately 14% in the 2015/2016 financial year.

Based on the above, there is no indication that the Municipality may not meet its obligations as they become due in the short term. In addition, there is indication of material uncertainties or events that cast doubt on the Municipalities ability to continue as a going concern.

44. Events after the reporting date

There were no adjusting or non-adjusting events after the reporting period.

45. Unauthorised expenditure

	2016	2015
Opening Balance	70,382,959	50,261,870
Written off by council	-	(50,261,870)
Thusong Centre	-	1,106,090
Unauthorised expenditure - non cash items	-	69,276,869
	70,382,959	**70,382,959**

The expenditure incurred will be investigated and tabled to council and national treasury for approval.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

46. Fruitless and wasteful expenditure

Opening Balance	571,820	9,314
Penalties SARS	147,950	484,288
Eskom Interest	85,259	78,218
Telkom Interest	4,401	-
	809,430	**571,820**

The total fruitless and wasteful expenditure was investigated and a report will be tabled to council and national treasury for approval.

47. Irregular expenditure

Chris Vermaak	177,865	218,911
G4S Cash Solutions (SA) (Pty) Ltd	-	194,878
KD Electrical	119,881	224,648
Kuntwela Enzansi Ventures CC	369,236	914,241
Lasercom	423,639	482,399
Link Up Security	341,411	316,760
Municipal Incorp	958,027	766,554
MWEB Connect (Pty) Ltd	42,913	20,055
OTIS (Pty) Ltd	-	11,217
SABC Group Sales and Marketing	119,322	25,240
Samekelintokozo	-	224,640
Shalom Security	44,676	44,676
Steiner Hygiene Express	63,830	61,744
Time Freight Express	32,047	49,894
Winded	30,517	28,925
WSSA	-	81,015
Zululand Funerals CC	77,920	144,490
BJM Plant Hire	1,268,250	1,916,163
Advertised less than 14 days	-	4,838,299
Kwikspace (Lack of planning)	-	221,779
Over expenditure (Contract Management)	-	3,788,964
Msuftu	-	8,380,635
CAATS data (declarations of interest)	-	12,000
VQS Transport	-	258,552
Ceewai Trading	-	198,000
Time Freight	57,969	-
Ado Research Labs (Pty) Ltd	158,493	-
Altech Autopage Cellular	197,874	-
Muncomp Systems	95,614	-
Vryheid Bookstore	20,792	-
Windeed	39,575	-
TCS	64,623	-
Emondlo Bus Services	140,000	-
Promo Direct	99,716	-
Emondlo Bus Services	90,000	-
	5,034,190	**23,424,679**

The expenditure will be investigated and a report will be tabled to council.

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Supply Chain Management Deviations more than R200 000	**2016**	**2015**
Kwikspace Modular Building: Electricity direct preplacement of capital items	-	221,779
Sizani Electrical: Mini Substation 315	-	207,851
Neo Solution Pty Ltd: Hire of Equipment, Lease of Vehicles	-	263,124
Impilo Enterprise: Hiring of 2 Motor Graders for the period of 6 months	-	1,213,470
Msuftu Transport: Supplying water to eMondlo areas	-	330,507
Msuftu Transport: Supplying water to Abaqulusi areas	-	399,693
Msuftu Transport: Supplying water to eMondlo areas	-	312,996
Msuftu Transport: Supplying water to Abaqulusi Municipality areas	-	338,336
Msuftu Transport Supplying water to Abaqulusi areas	-	237,651
Msuftu Transport Supplying water to Abaqulusi areas	-	226,137
CDM Indoor Range: Safeguarding all substations and pumpstations	-	405,384
Msuftu Transport: Delivery of water at Emondlo Residents	-	3,590,329
Quiet Storm Trading: Saw cutting of Asphalt, supplying and compacting of G2 crushed stones and asphlating	-	681,172
Msuftu Transport: Delivery of water at eMondlo	-	2,439,296
BJM Plant Hire Cc: Hiring of Excavator and TL B	-	226,353
BJM Plant Hire CC: Hiring of D7 Bulldozer	-	428,924
BJM Plant Hire CC: Hiring of D7 Bulldozer, CX210 Excavator, 10M Tippers and TLB	-	797,818
BJM Plant Hire CC: Hiring of Bulldozer	-	248,606
MBNN TRADING	202,065	-
ADO Research Labs Pty Ltd	264,537	-
	466,602	**12,569,426**

Supply Chain Management Deviations less than R200 000	**2016**	**2015**
Various deviations less than R200 000	911,446	3,613,301

49. Related party disclosure

During the current financial there were no related party transactions identified. The details of prior year related party transctaions have been included below for comparability

Hosana Entertainment	-	12,000

Figures in Rand	2016	2015

50. Contracted Services

Meter Reading	2,686,254	2,653,242
Computer Services	2,236,105	829,133
Other Financial Services	6,547,639	4,638,206
Parks	5,995,834	6,070,404
Security	10,676,013	10,573,534
Refuse removal	10,123,497	10,227,244
Steiner	112,446	80,202
Water purification	327,407	6,280,331
Zululand Funerals	-	228,024
Contour	486,982	434,436
Lasercom	-	656,251
Nurses working with traffic	4,650	10,050
Brandfin Trade CC	138,042	113,460
Ado research labs	232,164	216,444
Mamelang Technology	-	104,568
Neo Solution (Pty) Ltd	-	230,811
Isiphiwo Transport	-	8,000
Total Client Services	69,284	69,964
Lobu Maintenance Facilita	3,447	-
Mobaarak	46,500	-
Thulumthwalo Finance	40,000	-
Isikhumba Sengwe 2012	99,250	-
Lexis Nexis	8,960	-
Mamelang Technologies CC	37,900	-
	39,872,374	**43,424,304**

51. Additional Note in terms of Municipal Finance Management Act

Contributions to organised local government

Council Subscriptions	2,158,840	1,188,840
Amount	(2,158,840)	(1,188,840)

51.1 PAYE and UIF	**2016**	**2015**
Current year payroll deductions	22,637,667	20,425,265
Amount paid-current year	(22,637,667)	(20,425,265)
	-	-

51.2 Pension and medical aid deduction	**2016**	**2015**
Current year payroll deductions and council contributions	19,375,365	8,232,638
Amount paid-current year	(19,375,365)	(8,232,638)
	-	-

51.3 Councillor's arrear consumer accounts June 2016	**Outstanding more than 90 days**	**Total**
MM Kunene	5,041	5,041
DP Mazibuko	1,633	1,633
DP Mazibuko	1,139	1,139
	7,813	**7,813**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

51. Additional Note in terms of Municipal Finance Management Act (continued)

51.3 Councillor's arrear consumer accounts June 2015	Outstanding more than 90 days	Total
P P Mkhwanazi	803	803
D P Mazibuko	1,715	1,715
	2,518	**2,518**

51.4 VAT	2016	2015
Vat Receivable	9,683,836	3,052,308

52. Provision for doubtful debts

Receivables from exchange transactions	4,805,563	6,923,895
Receivables from non-exchange transactions	11,503,808	4,903,686
	16,309,371	**11,827,581**

53. Interest earned - outstanding debtors

Interest earned	15,277	15,804

54. Reasons for differences identified in the Statement of Comparison of Budget and Actual

54.1 The under collection on Service Charges is due to water charges not billed during the drought period, which contributed to the decline in revenue

54.2 This is a non-monetary gain as it is determined at year end when a valuation of Investment Property is performed. Investment property refers to Municipal owned property that is leased for Financial gain. This revenue is reflected within the line item rental of facilities.

54.3 Due the under collection of revenue, the municipality utilised its investments to subsidies its operations, therefore a decline in interest earned on the portfolio.

54.4 The decrease in property rates revenue is due to property rates rebates.

54.5 Due to vacancies not filled.

54.6 The amount budgeted was based on the previous financial year actual.

54.7 The amount budgeted was based on the previous financial year actual.

54.8 This is a non-cash item .

54.9 The amount budgeted was based on the previous financial year actual.

54.10 Due to the severe drought conditions and no revenue being received for water and sanitation the municipality adopted strict cost cutting measures to repair only urgent breakdowns.

54.11 Due to the severe drought conditions and no revenue being received for water and sanitation the municipality adopted strict cost cutting measures to delay the appointment of contractors for non essential.

54.12 Due to the severe drought conditions and no revenue being received for water and sanitation there is no charge for free basic for indigent on these services.

54.13 Due to the severe drought conditions and no revenue being received for water and sanitation the municipality adopted strict cost cutting measures